

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <u>Township of Vassar</u>	County <u>Tuscola</u>
Fiscal Year End <u>6/30/07</u>	Opinion Date <u>12/13/07</u>	Date Audit Report Submitted to State <u>12/27/07</u>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☐ ☒ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☐ ☒ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	<u>N/A</u>	
Certified Public Accountant (Firm Name) <u>ANDERSON, TUCKEY, BERNHARDT &amp; ADRIAN</u>		Telephone Number <u>989-673-3137</u>	
Street Address <u>715 E. FRANK ST</u>		City <u>CARO</u>	State <u>MI</u>
		Zip <u>48723</u>	
Authorizing CPA Signature <u>Gary R. Anderson CPA</u>	Printed Name <u>GARY R. ANDERSON</u>		License Number <u>1101005446</u>

**TOWNSHIP OF VASSAR**  
Tuscola County, Michigan

Report on Financial Statements  
(with additional information)  
June 30, 2007

# **TOWNSHIP OF VASSAR**

## PAGE NUMBER

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**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.**  
Certified Public Accountants



Gary R. Anderson, CPA  
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Jamie L. Peasley, CPA

December 13, 2007

**REPORT OF INDEPENDENT AUDITORS**

Members of the Township Board  
Township of Vassar  
Tuscola County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Vassar as of June 30, 2007 and for the year then ended, as listed in the Table of Contents, which collectively comprise the Township of Vassar's basic financial statements required by the accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Vassar management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Vassar's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Vassar, as of June 30, 2007, or changes in its financial position for the year then ended.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Township of Vassar. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
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## **GENERAL PURPOSE FINANCIAL STATEMENTS**

**TOWNSHIP OF VASSAR**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2007**

	<b>GOVERNMENTAL FUND TYPE</b>		<b>FIDUCIARY FUND TYPE</b>
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>TRUST AND AGENCY</b>
<b><u>ASSETS</u></b>			
Cash in Bank	\$ 446,074	\$ 146,818	\$ 3,066
Accounts Receivable	447		
Due from Other Funds	3,061		367
Land			
Buildings			
Equipment			
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 449,582</u></b>	<b><u>\$ 146,818</u></b>	<b><u>\$ 3,433</u></b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
Liabilities:			
Accounts Payable	\$ 29,030	\$ 13,308	
Accrued Payroll Taxes	225		
Due to Other Funds		367	\$ 3,061
Due to Other Governmental Units			372
<b>Total Liabilities</b>	<b>29,255</b>	<b>13,675</b>	<b>3,433</b>
Fund Equity:			
Investment in General Fixed Assets			
Fund Balances:			
Unreserved:			
Undesignated	189,133		
Designated	231,194	133,143	
<b>Total Fund Equity</b>	<b>420,327</b>	<b>133,143</b>	<b>-</b>
<b><u>TOTAL LIABILITIES &amp; FUND EQUITY</u></b>	<b><u>\$ 449,582</u></b>	<b><u>\$ 146,818</u></b>	<b><u>\$ 3,433</u></b>

The accompanying notes are an integral part of the financial statements.

<u>ACCOUNT GROUP</u>	<b>TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT</b>	
	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>
<u>GENERAL FIXED ASSETS</u>		
	\$ 595,958	\$ 610,787
	447	46,220
	3,428	2,699
\$ 37,686	37,686	37,686
68,244	68,244	68,244
58,354	58,354	57,340
<u><b>\$ 164,284</b></u>	<u><b>\$ 764,117</b></u>	<u><b>\$ 822,976</b></u>
	\$ 42,338	\$ 25,029
	225	145
	3,428	2,699
	372	381
<u>-</u>	<u>46,363</u>	<u>28,254</u>
\$ 164,284	164,284	163,270
	189,133	291,639
	364,337	339,813
<u>164,284</u>	<u>717,754</u>	<u>794,722</u>
<u><b>\$ 164,284</b></u>	<u><b>\$ 764,117</b></u>	<u><b>\$ 822,976</b></u>

**TOWNSHIP OF VASSAR**  
**Combined Statement of Revenues, Expenditures and Changes**  
**In Fund Balances - All Governmental Fund Types**  
**For the Year Ended June 30, 2007**

			<b>TOTALS</b> <b>(MEMORANDUM ONLY)</b> <b>PRIMARY GOVERNMENT</b>	
			<b>JUNE 30,</b> <b>2007</b>	<b>JUNE 30,</b> <b>2006</b>
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>		
<b>REVENUES:</b>				
Property taxes	\$ 80,018		\$ 80,018	\$ 78,621
Trailer park fees	687		687	864
Licenses & permits	1,682		1,682	3,017
Vassar Township Agg. Royalties	20,997		20,997	49,793
State revenue sharing	313,817		313,817	318,515
Charges for services:				
Property tax administration	15,663		15,663	16,342
Fire protection	-		-	-
Interest	16,689	\$ 4,865	21,554	15,575
Metro act revenue	4,516		4,516	8,489
Special assessment - refuse	-	139,444	139,444	138,435
Other revenue	-	36	36	52
<b>TOTAL REVENUES</b>	<b>454,069</b>	<b>144,345</b>	<b>598,414</b>	<b>629,703</b>
<b>EXPENDITURES:</b>				
Legislative:				
Township Board	11,291		11,291	14,248
General Government:				
Supervisor	10,335		10,335	9,046
Elections	4,102		4,102	1,820
Assessor	77,307		77,307	33,799
Professional services	9,195		9,195	10,052
Clerk	10,572		10,572	10,792
Board of Review	1,060		1,060	992
Treasurer	11,276		11,276	10,716
Township Hall	13,032		13,032	18,650
Public Safety:				
Police protection	70,982		70,982	72,635
Fire protection	64,840		64,840	51,161
Ambulance	35,288		35,288	35,328
Public Works:				
Highways & streets	155,745		155,745	152,543
Drains at Large	30,906		30,906	-
Sanitation	-	149,230	149,230	159,457
Planning & zoning	8,158		8,158	8,899
Cemetery	-		-	100



**TOWNSHIP OF VASSAR**  
**Combined Statement of Revenues, Expenditures and Changes**  
**In Fund Balances - All Governmental Fund Types**  
**For the Year Ended June 30, 2007**

			<b>TOTALS</b>	
			<b>(MEMORANDUM ONLY)</b>	
			<b>PRIMARY GOVERNMENT</b>	
			<b>JUNE 30,</b>	<b>JUNE 30,</b>
	<b>GENERAL</b>	<b>SPECIAL</b>	<b>2007</b>	<b>2006</b>
		<b>REVENUE</b>		
EXPENDITURES, (Continued):				
Recreation & Culture:				
Parks & recreation	\$ 1,780		\$ 1,780	\$ 1,900
Other Functions:				
Payroll taxes	2,956		2,956	3,270
Insurance	8,341		8,341	7,893
Tuscola County EDC	-		-	-
Miscellaneous	-		-	3,188
TOTAL EXPENDITURES	527,166	\$ 149,230	676,396	606,489
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(73,097)	(4,885)	(77,982)	23,214
FUND BALANCE - JULY 1	493,424	138,028	631,452	608,238
FUND BALANCE - JUNE 30	\$ 420,327	\$ 133,143	\$ 553,470	\$ 631,452

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF VASSAR**  
**Combined Statement of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget & Actual -**  
**General and Special Revenue Funds**  
**For the Year Ended June 30, 2007**

	<b>GENERAL FUND</b>		
	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES:</b>			
Property taxes	\$ 77,963	\$ 80,018	\$ 2,055
Trailer park fees	2,000	687	(1,313)
Licenses & permits	2,000	1,682	(318)
Vassar Township Agg. Royalties	30,000	20,997	(9,003)
State revenue sharing	318,007	313,817	(4,190)
Charges for services:			
Property tax administration	15,000	15,663	663
Fire protection	3,500	-	(3,500)
Interest	12,721	16,689	3,968
Metro act revenue		4,516	4,516
Special assessment - refuse	-	-	-
Other Revenue	1,000	-	(1,000)
<b>TOTAL REVENUES</b>	<b>462,191</b>	<b>454,069</b>	<b>(8,122)</b>
<b>EXPENDITURES:</b>			
Legislative:			
Township Board	15,791	11,291	4,500
General Government:			
Supervisor	9,755	10,335	(580)
Elections	6,450	4,102	2,348
Assessor	83,500	77,307	6,193
Professional services	12,500	9,195	3,305
Clerk	13,906	10,572	3,334
Board of Review	1,120	1,060	60
Treasurer	12,886	11,276	1,610
Township Hall	31,300	13,032	18,268
Public Safety:			
Police protection	75,500	70,982	4,518
Fire protection	65,000	64,840	160
Ambulance	35,480	35,288	192
Public Works:			
Highways & streets	221,407	155,745	65,662
Drains at large	20,000	30,906	(10,906)
Sanitation	-	-	-
Planning & zoning	11,600	8,158	3,442
Cemetery	200	-	200

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
		-	\$ 77,963	\$ 80,018	\$ 2,055
		-	2,000	687	(1,313)
		-	2,000	1,682	(318)
		-	30,000	20,997	(9,003)
		-	318,007	313,817	(4,190)
		-	15,000	15,663	663
		-	3,500	-	(3,500)
	\$ 4,865	\$ 4,865	12,721	21,554	8,833
		-	-	4,516	4,516
\$ -	139,444	139,444	-	139,444	139,444
	36	36	1,000	36	(964)
-	144,345	144,345	462,191	598,414	136,223
		-	15,791	11,291	4,500
		-	9,755	10,335	(580)
		-	6,450	4,102	2,348
		-	83,500	77,307	6,193
		-	12,500	9,195	3,305
		-	13,906	10,572	3,334
		-	1,120	1,060	60
		-	12,886	11,276	1,610
		-	31,300	13,032	18,268
		-	75,500	70,982	4,518
		-	65,000	64,840	160
		-	35,480	35,288	192
		-	221,407	155,745	65,662
		-	20,000	30,906	(10,906)
-	149,230	(149,230)	-	149,230	(149,230)
		-	11,600	8,158	3,442
		-	200	-	200

**TOWNSHIP OF VASSAR**  
**Combined Statement of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget & Actual -**  
**General and Special Revenue Funds**  
**For the Year Ended June 30, 2007**

	<b>GENERAL FUND</b>		
	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
EXPENDITURES, (Continued):			
Recreation & Culture:			
Parks & recreation	\$ 1,980	\$ 1,780	\$ 200
Other Functions:			
Payroll taxes	4,000	2,956	1,044
Insurance	8,000	8,341	(341)
Tuscola County EDC	-	-	-
Miscellaneous	83,500	-	83,500
TOTAL EXPENDITURES	713,875	527,166	186,709
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(251,684)	(73,097)	178,587
FUND BALANCE - JULY 1	493,424	493,424	-
FUND BALANCE - JUNE 30	\$ 241,740	\$ 420,327	\$ 178,587

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ -	\$ -	-	\$ 1,980	\$ 1,780	\$ 200
-	-	-	4,000	2,956	1,044
-	-	-	8,000	8,341	(341)
-	-	-	-	-	-
-	-	-	83,500	-	83,500
\$ -	\$ 149,230	\$ (149,230)	713,875	676,396	37,479
-	(4,885)	(4,885)	(251,684)	(77,982)	173,702
138,028	138,028	-	631,452	631,452	-
<u>\$ 138,028</u>	<u>\$ 133,143</u>	<u>\$ (4,885)</u>	<u>\$ 379,768</u>	<u>\$ 553,470</u>	<u>\$ 173,702</u>

**TOWNSHIP OF VASSAR, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF TOWNSHIP OPERATIONS & FUND TYPES:**

The Township of Vassar, Tuscola County, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 3,800 residents in many areas including law enforcement, administration of justice, community enrichment, development and human services.

The financial statements of the Township of Vassar have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township chose not to adopt GASB 34, which is required by GAAP. This departure from GAAP is also noted in the audit report letter. The more significant of the government's accounting policies are described below.

**A. REPORTING ENTITY:**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Township of Vassar contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

**B. FUND ACCOUNTING:**

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

*GOVERNMENTAL FUNDS* - are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other funds.

*FIDUCIARY FUNDS* - are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

**TOWNSHIP OF VASSAR, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**B. FUND ACCOUNTING, (Continued):**

*ACCOUNT GROUPS* – are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

**C. BASIS OF ACCOUNTING:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used to revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise the resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**D. BUDGETS AND BUDGETARY ACCOUNTING:**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

**TOWNSHIP OF VASSAR, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**E. CASH AND EQUIVALENTS:**

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at fair market value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government of federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments as outlined above.

**F. RECEIVABLES:**

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls, which are secured by the underlying property.

**G. FIXED ASSETS:**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued to cost where historical records are available and at an estimated historical cost where no historical record exist. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed assets account group.



**TOWNSHIP OF VASSAR, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**H. ACCUMULATED UNPAID BENEFITS:**

Employees are not allowed to accumulate vacation and sick pay and therefore, no amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

**I. FUND EQUITY:**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**J. INTERFUND TRANSACTIONS:**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**K. MEMORANDUM ONLY - TOTAL COLUMNS:**

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purpose.

**L. ESTIMATES:**

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TOWNSHIP OF VASSAR, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 2 - PROPERTY TAX REVENUE:**

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and local school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. The Township levied a general millage of 1.016 mills on a taxable value of \$76,271,586.

The Township participates in the Tuscola County Delinquent Tax Fund that purchases all of the uncollected property tax of the Township each year. Settlement with the County for all uncollected taxes is received by the Township.

**NOTE 3 – INVESTMENT IN GENERAL FIXED ASSETS:**

The general fixed assets of the Township consist of the following:

	<b>BALANCE JULY 1, 2006</b>	<b><u>ADDITIONS</u></b>	<b><u>DELETIONS</u></b>	<b>BALANCE JUNE 30, 2007</b>
Land	\$ 37,686			\$ 37,686
Buildings	68,244			68,244
Equipment	<u>57,340</u>	<u>\$1,014</u>	<u>NONE</u>	<u>58,354</u>
Total	<u>\$163,270</u>	<u>\$1,014</u>	<u>NONE</u>	<u>\$164,284</u>

**NOTE 4 – DEPOSITS AND INVESTMENTS:**

As of June 30, 2007, the Township had no investments.

**Interest rate risk.** In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**TOWNSHIP OF VASSAR, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 4 – DEPOSITS AND INVESTMENTS, (Continued):**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2007, \$246,964 of the Township's bank balance of \$546,964 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

The Township's cash and cash equivalents at June 30, 2007 are composed of the following:

	<b><u>CASH AND CASH EQUIVALENTS</u></b>
General Fund:	
Deposits	\$446,074
Other Funds:	
Deposits	<u>149,884</u>
Total Deposits:	<u><u>\$595,958</u></u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

**NOTE 5 – EMPLOYEE BENEFITS:**

The Township pays no employee benefits. The Township also does not provide any post-employment benefits to retirees.

**NOTE 6 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above-described activities. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 7 - LEGAL COMPLIANCE - BUDGETS:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to July 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.

**TOWNSHIP OF VASSAR, TUSCOLA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 7 - LEGAL COMPLIANCE – BUDGETS, (Continued):**

4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level. Violations, if any, are noted in the budget comparison section.

**NOTE 8 – DUE TO AND FROM OTHER FUNDS:**

Due to and from other funds balances at June 30, 2007 are as follows:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$3,061	
Refuse Fund		\$ 367
Current Tax Collection Fund	<u>367</u>	<u>3,061</u>
 TOTAL	 <u>\$3,428</u>	 <u>\$3,428</u>

**NOTE 9 – PENSION PLAN:**

The Township has no pension plan.

**NOTE 10 – DESIGNATED FUND BALANCE:**

The fund balance in the General Fund has been designated by the Board for the purpose of recreation or new hall construction in the amount of \$231,194.

**NOTE 11 – FIRE TRUCK:**

On June 14, 2005, Vassar Township entered into an agreement with the City of Vassar to pay \$74,247 for the cost of a new fire truck for the City of Vassar. The interest rate is 4.75%. The annual payment amount is \$17,031 for principal and interest. The Township made payments in March 2006 and 2007 and June 2007. Future annual installments should be made on October 1, 2007, and 2008.

**NOTE 12 – REAPPRAISAL CONTRACT:**

At the August 9, 2005 board meeting, the Township approved a contract in the amount of \$70,000 for the reappraisal of all property within the township. The cost will be paid as work is completed. As of June 30, 2007 the contract was completed.

## **SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF VASSAR**  
Schedule of General Fund Expenditures  
Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Township Board:			
Salaries	\$ 3,090	\$ 2,825	\$ 265
Operating supplies	1,000	1,379	(379)
Notices	2,000	620	1,380
Memberships & dues	2,501	2,715	(214)
Miscellaneous	7,200	3,752	3,448
Total Township Board	<u>15,791</u>	<u>11,291</u>	<u>4,500</u>
Supervisor:			
Salary	8,755	9,630	(875)
Supplies	200	-	200
Mileage	100	-	100
Telephone	700	705	(5)
Total Supervisor	<u>9,755</u>	<u>10,335</u>	<u>(580)</u>
Elections:			
Wages	5,000	3,569	1,431
Mileage	100	-	100
Notices	100	19	81
Operating expenses	1,250	514	736
Total Elections	<u>6,450</u>	<u>4,102</u>	<u>2,348</u>
Assessor:			
Salary	22,000	19,535	2,465
Operating supplies	2,000	1,072	928
Telephone	-	-	-
Appraisal	59,500	56,700	2,800
Mileage	-	-	-
Total Assessor	<u>83,500</u>	<u>77,307</u>	<u>6,193</u>
Professional Services:			
Accounting	2,500	3,100	(600)
Attorney	10,000	6,095	3,905
Total Professional Services	<u>12,500</u>	<u>9,195</u>	<u>3,305</u>
Clerk:			
Salary	10,506	9,605	901
Salary - deputy	2,500	599	1,901
Operating supplies	500	251	249
Telephone	50	-	50
Mileage	350	117	233
Total Clerk	<u>13,906</u>	<u>10,572</u>	<u>3,334</u>

**TOWNSHIP OF VASSAR**  
Schedule of General Fund Expenditures  
Year Ended June 30, 2007

(Continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Board of Review:			
Per diem	\$ 1,000	\$ 1,060	\$ (60)
Operating supplies	20	-	20
Mileage	-	-	-
Notices	100	-	100
	<u>1,120</u>	<u>1,060</u>	<u>60</u>
Total Board of Review	1,120	1,060	60
Treasurer:			
Salary	10,506	9,605	901
Salary - deputy	1,000	567	433
Operating supplies	1,000	664	336
Mileage	350	255	95
Miscellaneous	30	185	(155)
	<u>12,886</u>	<u>11,276</u>	<u>1,610</u>
Total Treasurer	12,886	11,276	1,610
Township Hall:			
Supplies	300	344	(44)
Utilities	4,000	4,101	(101)
Capital Outlay	-	400	(400)
Renovations	4,000	1,478	2,522
Repairs & maintenance	23,000	6,709	16,291
	<u>31,300</u>	<u>13,032</u>	<u>18,268</u>
Total Township Hall	31,300	13,032	18,268
Police Protection:			
Miscellaneous	500	500	-
Contracted services	75,000	70,482	4,518
	<u>75,500</u>	<u>70,982</u>	<u>4,518</u>
Total Police Protection	75,500	70,982	4,518
Fire Protection:			
Miscellaneous	3,000	-	3,000
Contracted services	62,000	64,840	(2,840)
	<u>65,000</u>	<u>64,840</u>	<u>160</u>
Total Fire Protection	65,000	64,840	160
Ambulance:			
Miscellaneous	480	440	40
Contracted services	35,000	34,848	152
	<u>35,480</u>	<u>35,288</u>	<u>192</u>
Total Ambulance	35,480	35,288	192
Highways & Streets:			
Repairs & maintenance	221,407	155,745	65,662
	<u>221,407</u>	<u>155,745</u>	<u>65,662</u>
Drains at large	20,000	30,906	(10,906)

**TOWNSHIP OF VASSAR**  
Schedule of General Fund Expenditures  
Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
(Continued)			
Planning & Zoning:			
Salaries & per diem	\$ 10,500	\$ 7,773	\$ 2,727
Mileage	150	59	91
Operating supplies	600	189	411
Notices	100	44	
Telephone	50	93	
Miscellaneous	200	-	200
	<u>11,600</u>	<u>8,158</u>	<u>3,442</u>
Total Planning & Zoning			
	<u>11,600</u>	<u>8,158</u>	<u>3,442</u>
Cemetery	200	-	200
	<u>200</u>	<u>-</u>	<u>200</u>
Parks & Recreation:	1,980	1,780	200
	<u>1,980</u>	<u>1,780</u>	<u>200</u>
Payroll Taxes	4,000	2,956	1,044
	<u>4,000</u>	<u>2,956</u>	<u>1,044</u>
Insurance	8,000	8,341	(341)
	<u>8,000</u>	<u>8,341</u>	<u>(341)</u>
Tuscola County EDC	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Miscellaneous	83,500	-	83,500
	<u>83,500</u>	<u>-</u>	<u>83,500</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 713,875</u></u>	<u><u>\$ 527,166</u></u>	<u><u>\$ 186,709</u></u>

See the accompanying notes.



**TOWNSHIP OF VASSAR**  
Schedule of Revenues, Expenditures  
& Changes in Fund Balance - Refuse Fund  
For the Year Ended June 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Special Assessment	-	\$ 139,444	
Interest	-	4,865	
Miscellaneous	-	36	
	<u>-</u>	<u>144,345</u>	<u>144,345</u>
TOTAL REVENUES	<u>\$ -</u>	<u>144,345</u>	<u>\$ 144,345</u>
EXPENDITURES			
Contracted Services	-	149,230	(149,230)
	<u>-</u>	<u>(4,885)</u>	<u>(4,885)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(4,885)</u>	<u>(4,885)</u>
FUND BALANCE - JULY 1	<u>138,028</u>	<u>138,028</u>	
FUND BALANCE - JUNE 30	<u><u>\$ 138,028</u></u>	<u><u>\$ 133,143</u></u>	<u><u>\$ (4,885)</u></u>

See the accompanying notes.

**TOWNSHIP OF VASSAR**  
Schedule of Changes in Assets & Liabilities -  
Current Tax Collection Fund  
Year Ended June 30, 2007

	<u>BALANCE</u> <u>7/1/2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/2007</u>
<b><u>ASSETS</u></b>				
Cash in bank	\$ 2,346	\$ 1,444,678	\$ 1,443,958	\$ 3,066
Due from other funds	<u>367</u>	<u>139,444</u>	<u>139,444</u>	<u>367</u>
<b><i>TOTAL ASSETS</i></b>	<b><u>\$ 2,713</u></b>	<b><u>\$ 1,584,122</u></b>	<b><u>\$ 1,583,402</u></b>	<b><u>\$ 3,433</u></b>
 <b><u>LIABILITIES</u></b>				
Due to other funds	\$ 2,332	\$ 231,981	\$ 232,710	\$ 3,061
Due to other governmental units	<u>381</u>	<u>1,351,421</u>	<u>1,351,412</u>	<u>372</u>
<b><i>TOTAL LIABILITIES</i></b>	<b><u>\$ 2,713</u></b>	<b><u>\$ 1,583,402</u></b>	<b><u>\$ 1,584,122</u></b>	<b><u>\$ 3,433</u></b>

See the accompanying notes.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.**  
Certified Public Accountants



December 13, 2007

Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

To the Board of Township of Vassar:

In planning and performing our audit of the financial statements of Township of Vassar as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Vassar's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The fire runs have not been billed on a timely basis. We understand that the turnover in staff has also caused delays. We recommend that procedures be put in place to bill for fire runs on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

After considering the qualifications of the accounting personnel of Township of Vassar, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Township, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Township of Vassar  
Page 2

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 13, 2007 on the financial statements of the Township of Vassar. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or assist you in implementing the recommendation. Our comments are summarized as follows:

During the course of our audit, it was noted that the board did not formally approve a budget for the refuse fund. We recommend that the board approve a budget for the refuse fund and monitor that budget on a continual basis.

This communication is intended solely for the information and use of management, Township of Vassar, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

Anderson, Tuckey, Bernhardt & Doran, P.C.  
Certified Public Accountants